Weekly Economic Review

Earnings continue to fall

Average Weekly Earnings

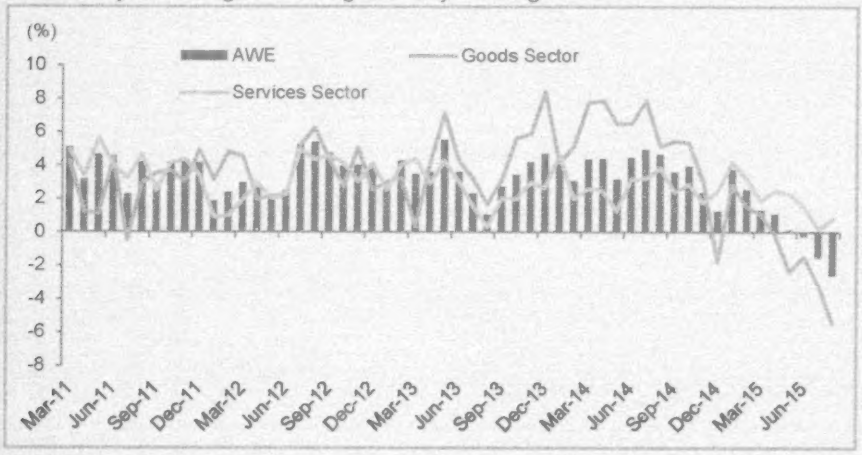
AWE continues to weaken

Alberta average weekly earnings fell by 0.8% in August to $1129, the seventh-straight month of monthly declines. Earnings were down 2.6% year-over-year (y/y), due to a 5.4% drop in the goods sector (Chart 1). Lower activity and efforts by oil and gas companies to restrain labour costs have had a negative impact on earnings in the mining, oil and gas(-8.5% y/y), and construction sectors (-4.5% y/y). Service sector earnings were up 0.8% y/y, with notable gains in wholesale trade and information and culture more than offsetting declines in the real estate and food and accommodations services. Year-to-date, average weekly earnings were up 0.6%, despite a 0.9% decline in the goods sector.

Nationally, average weekly earnings decreased 0.7% to $957, but were up 0.6% y/y. Alberta and Saskatchewan were the only provinces to decline y/y.

Chart 1: Earnings in the goods sector have fallen substantially

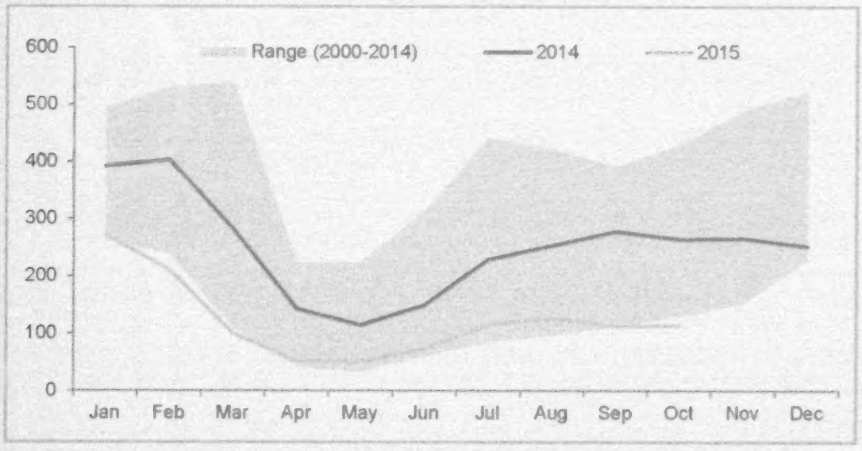
Year-over-year change in Average Weekly Earnings



Source: Statistics Canada

Chart 2: Rigs drilling remains the lowest in over 20 years

Year-over-year change in Alberta Rigs Drilling



Source: Canadian Association of Oilwell Drilling Contractors

Rigs Drilling

Rigs drilling at 20-year lows

In October there were 115 rigs drilling across Alberta, down 60% y/y. This was the lowest October rig count in over 20 years (Chart 2). Just 21% of available rigs were active, less than half the utilization rate from 2014. Nationally, rig activity remained depressed, down 55% y/y. Oil drilling continued to be a drag on national activity, down 68% y/y compared with a 43% decline for gas. The United States rig activity remained below historic lows, down 59% y/y.

Metres Drilled

Oil and gas activity depressed

The number of metres drilled for oil and gas in Alberta during August remained depressed, down 66% year-over-year. Metres drilled for bitumen bounced back above 2014 levels for the first time this year, increasing 3.5% y/y, though it remained down 50% year-to-date. Conventional drilling showed no such improvement, with metres drilled down 58% y/y. After showing some strength in the early part of they year, natural gas metres fell 32% y/y and were down 20% year-to-date.

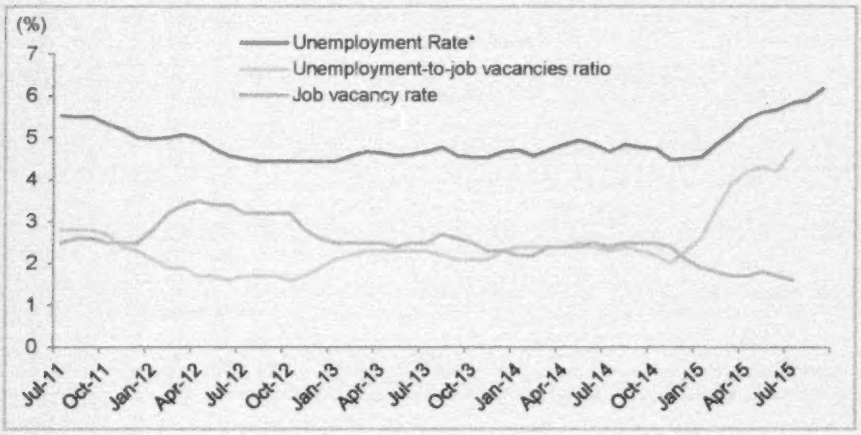
Job Vacancies

Job vacancies drop off

After flattening out for a couple of months, job vacancies fell again, averaging 32,100 in the three months ending in July. There were 17,600 fewer job openings than in July 2014, continuing a trend of year-over-year declines since December 2014. The job vacancy rate, or proportion of positions that were unfilled, was 1.6%, down 0.1 percentage point from June and 0.5 percentage points from the beginning of the year. The ratio of unemployment-to-job vacancies increased by 0.5 percentage points 4.7% (Chart 3).

Chart 3: Unemployment rising and job vacancies falling

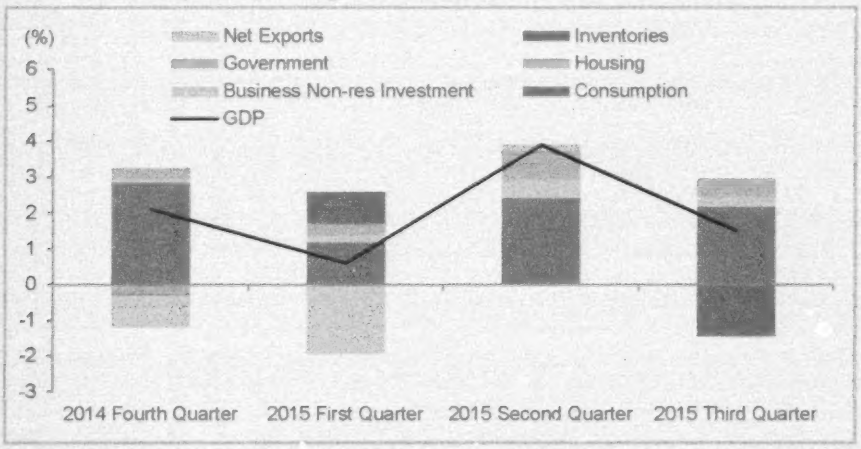
Alberta Labour Market Indicators



Source: Statistics Canada

Chart 4: US real GDP slows on inventory withdrawl

Contribution to quarterly change in US real GDP at annual rates



Source: Bureau of Economic Analysis

In Canada, job vacancies averaged 241,600 in the 3 months ending in July, up 18,100 positions or 8% from the same period in 2014

Canadian GDP by Industry

Lukewarm economic turnaround

The Canadian economy expanded for a third-straight month, as real GDP ticked up by 0.1% in August. Growth was led by the goods sector, which increased by 0.3%. Canada's manufacturing sector was a key contributor to monthly growth (0.4%), along with mining, oil and gas extraction (0.4%) and retail sales (0.6%). Oil and gas extraction increased for a third month with nonconventional oil production and conventional both rising by 0.3%. Despite 2.9% growth in support activities for mining, oil and gas, output remained down 38% compared with August 2014.

US Quarterly GDP

Tepid growth in the 3rd Quarter

US real GDP growth lost some momentum, slowing to a quarterly annual rate of 1.5% in the third quarter. The deceleration was largely due to a draw-down in inventories (Chart 4), which subtracted 1.4 percentage points from growth. Business non-residential investment increased by 2.1%, as a 5.3% increase in machinery and equipment offset a 4.0% decline in non-residential structures. Residential investment increased 6.1%, down from around 10% growth over the previous three quarters. Consumer spending continued to support growth as expenditures on durable goods increased by 6.7%. Spending on non-durable goods was up 3.5% while spending on services rose 2.6%. Government spending also increased, especially for state and local governments (+2.6%).

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.